

NEW HAMPSHIRE STATE LIQUOR COMMISSION

MINUTES OF MEETING – JANUARY 26, 2005

PRESENT: Chairman Anthony Maiola and Commissioner Patricia Russell; John Bunnell, Administrator of Marketing & Sales; Craig Bulkley, Bureau Chief of Administrative Services; Aidan Moore, Chief of Enforcement; Peter Engel, Director of Store Operations; Howard Roundy, Director of Information Technology; Richard Gerrish, Spirits Marketing Specialist; Nicole Horton, Wine Marketing Specialist. **Guests:** Michael Goclowski, Law Warehouses.

EXCUSED: Commissioner John Byrne; Evie Taft, Spirit Marketing Specialist, George Tsiopras, Chief Financial Officer.

I. FINANCIAL & ADMINISTRATIVE REPORTS

1. Financial Reports

A. Weekly, Y-T-D Sales Reports:

The SA1000 report for the week ending January 23, 2005 shows retail sales were down -1.09%, on-premise sales were up 1.7%, off-premise sales were also up almost 4.4%, and total aggregate sales were up about .41%. The traffic count increased by 2,899, but the average sales ticket was down by -\$.67.

The W-1 Total Weekly Sales report for the same week confirms total sales were up .41% or \$22,754 for the week, and were also up for the year by 5.8% or \$13,061,060. Wine sales also increased slightly for the week by .27% or \$7,221, as they did for the year by 6.3% or \$6,586,021. Sales of spirits were up .53% or \$15,533 compared to the same week last year, and were also up year-to-date by 5.32% or \$6,475,039.

There was nothing significant to report regarding depletions/post-offs or gift cards over the past week.

B. Budget/Administrative Reports:

The current W-6 Expense Budget Activity Variance Report shows the year to be at about 57.3% complete. Classes 18 and 50 continue to be closely monitored. As we are now entering a slow period, Craig hopes to see these accounts decrease over the next several months.

Craig will attend this morning's Governor and Council meeting to represent the Commission's three items which are on the agenda.

Craig will meet with the new Paymentech representative on February 8th, who will assist in working with the various brokers.

Six position waivers were submitted to Administrative Services yesterday, five of which are store positions and one to be vacated shortly by Tom Smith, Maintenance Engineer.

Craig suggested waiting until Commissioner Byrne is present to continue discussions regarding using gift cards to purchase lottery tickets.

2. IT Report

Howard reported that there was an air conditioning failure in the computer closets this past Saturday; however, everything fixed on Monday. There were also RF changes because of equipment failure in the accounting office yesterday.

IT has begun virus clean-up, which will probably include individual visits to each computer.

New store hardware has arrived and can now be implemented. The Keene store will increase to four registers. Eventually, one register each will be needed for the new Center Harbor and Warner stores. However, the cash register was not installed in Enforcement due to some major concerns.

Two of the new copiers are network capable, and Howard felt they should be utilized for major projects which include collating and stapling.

Major changes have been made to the supplies system for the warehouse to ensure better control.

II. MARKETING & SALES REPORTS

1. Store Operations

Total store sales decreased -1.73% or (\$75,385.19) for the week ending 1/23/05, which is indicative of the bad weather.

Peter gave updates on several store locations. The landlord of the Berlin store is still looking for the Commission to pay rent for unheated storage space of \$68 per month, in addition to paying heating costs of \$2,000 per year. Commissioner Russell suggested that Peter speak with the Berlin city manager, Patrick McQueen, relative to a new location.

Peter sent an e-mail to the Commission, including pictures, of the 3,700 square foot Center Harbor location, which is in a nice colonial type plaza.

The new Swanzey site is proceeding a little behind schedule. In addition, Commissioner Russell reported that the Swanzey store was instructed to take certain boxed wines reserved for licensees off of the shelves. Nicole said she would look into this further.

A meeting is scheduled for this afternoon at 1:00 at the Department of Transportation regarding the new Keene location. Commissioner Russell said she had heard that the concrete foundation was not settling properly. She also questioned the disagreement between Baybutt and Robertson employees and the Commission maintenance crew as to where the crew could work in the store. In addition, there have been some holdups on the part of the construction company which Commissioner Russell estimated were costing the Commission about \$10,000 per week. She offered to arrange a conference call with Baybutt and Robertson, or call their representatives herself, on behalf of the Commission.

Peter received a call from the owner of the Raymond plaza a few weeks ago inquiring if the Commission was interested in selling it's property there, which would include the possibility of moving the store to some other section of the plaza. Peter has requested a written proposal from the plaza owner, and will bring the information back to the Commission.

2. Purchasing Report

There have been some occurrences of frozen wines due to inclement weather in the western part of the country. Other than that, there are no other significant out-of-stock issues.

3. Merchandising Report

A. SPIRITS:

1) St. Patrick's Day Sale:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve thirty-five (35) spirit items to be featured during the St. Patrick's Day Sale, scheduled for Thursday, March 10 through Sunday, March 20, 2005, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

2) Test Market Results (Codes #2178, #5303, #5349, #2647 & #4211):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission delist the following spirit items which failed to achieve

both their respective gross profits required for full distribution and specialty item consideration at the conclusion of a six-month test market period: Code #5303, Arrow Cinnamon, 750ML; Code #5349, Arrow Raspberry, 750ML; and Code #4211, Bacardi Vanilla Rum, 1.75L; and grant specialty listings to the following spirit items which did achieve their respective gross profits required for specialty item consideration: Code #2178, Buchanan's 12-Year Scotch; and Code #2647, King Crest 25-Year Scotch, 750ML, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

3) One Time Buy Request (Carolan's Irish Cream):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve an offer from Horizon Beverage Company/ Allied Domecq for the Commission to make a one-time buy of Code #5210, Carolan's Irish Cream, 4/pack in conjunction with a consumer sweepstakes during March 2005, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

4) March Special Offers (154 items – United Beverages, Inc.):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from United Beverages, Inc., based upon special purchase allowances for one hundred forty-two (142) spirit items, and revised offers for twelve (12) spirit items, to be featured on sale during March 2005, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

5) St. Patrick's Day (2 unmatched items – United Beverages, Inc.):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a St. Patrick's Day sale from United Beverages, Inc., based upon depletions (without matching state funds) of two (2) spirit items, to be featured on sale from March 10 through March 20, 2005, as recommended by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

B. WINES:

1) NHSLC Wine Tastings (Keene Country Club):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a wine tasting to benefit Rise for Baby & Family at the Keene Country Club on June 2, 2005 from 5:30 to 7:30 p.m., as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

2) Special Offers for March 2005:

a. 2 items – F & F Wines:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from F & F Wines, based upon depletions and/or special purchase allowances for two (2) wine items, to be featured on sale during March 2005, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. 2 items – Charles Zoulias:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from Perfecta Wine Company, based upon depletions and/or special purchase allowances for two (2) wine items, to be featured on sale during March 2005, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. 1 item – R.P. Imports:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a special offer from R.P. Imports, based upon a depletions and special purchase allowance for one (1) wine item, to be featured on sale during March 2005, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

d. 34 items – M.S. Walker:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from M.S. Walker, Inc., based upon depletions and/or special purchase

allowances for thirty-four (34) wine items, to be featured on sale during March 2005, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- e. 28 items – Pine State Trading Company:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from Pine State Trading Company, based upon depletions for twenty-eight (28) wine items, to be featured on sale during March 2005, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- f. 30 items – Executive Wine & Spirits:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from Executive Wine & Spirits, based upon depletions and/or special purchase allowances for thirty (30) wine items, to be featured on sale during March 2005, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- g. 106 items – Martignetti Companies of N.H.:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from Martignetti Companies of N.H., based upon depletions and/or special purchase allowances for one hundred and six (106) wine items, to be featured on sale during March 2005, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- h. 3 items – Horizon Beverage Company:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve additional special offers from Horizon Beverage Company, based upon depletions for three (3) Beringer wine items, to be featured on sale during March 2005, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

i. 51 items – Horizon Beverage Company:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from Horizon Beverage Company, based upon depletions and/or special purchase allowances for fifty-one (51) wine items, to be featured on sale during March 2005, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

j. 133 items – United Beverages, Inc.:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from United Beverages, Inc., based upon depletions and/or special purchase allowances for one hundred thirty-three (133) wine items, to be featured on sale during March 2005, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

3) March & April Special Offers (4 items – United Beverages, Inc.):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from United Beverages, Inc./Diageo Chateau & Estates Wine Company, based upon depletions and/or special purchase allowances for four (4) Sterling wines, to be featured on sale during March and April 2005, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

4) Save 25% on NH's Best Sellers:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve an offer from United Beverages, Inc./Connoisseur Wine Company to conduct a "Save 25% on NH's Best Sellers" promotion during March, April and May 2005, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

5) Kunde Sweepstakes & Bottle Signing:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve an offer from United Beverages, Inc./Kunde

Winery to conduct a Kunde sweepstakes and bottle signing promotion during March and April 2005, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

6) Purchase and Display Toasted Head Chardonnay:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve an offer from United Beverages, Inc./ Connoisseur Wine Company for the Commission to purchase and display Code #29248, R.H. Phillips Chardonnay Toasted Head, 750ML, during March 2005, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

7) Purchase & Display Jaboulet-Hugel Wines:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve an offer from United Beverages, Inc./ Frederick Wildman & Sons for the Commission to purchase and display four (4) 750ML size Jaboulet-Hugel wines during March 2005, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

8) Recommended Allocated Wines for Distribution to Selected Stores:

a. 5 items:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve five (5) allocated wines to be distributed to selected stores, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. 12 items:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve twelve (12) allocated wines to be distributed to selected stores, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 9) Primary Source Submissions (1 item – exclusive agent; 2 items – imported:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve the listing of one (1) wine item which is not from primary source, but is offered by the exclusive marketing agent, and two (2) wine items which are not from primary source, but are imported, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

III. ENFORCEMENT & LICENSING REPORT – None.

IV. CHAIRMAN'S REPORT & LATE ITEMS

1. Bailment Requests:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve all previously reviewed requests for bailment releases/transfers dated January 20 through January 26, 2005. The motion was unanimously adopted.

2. Coupon Approvals:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve all previously reviewed coupon (pad, necker and consumer offer) requests for March 2005. The motion was unanimously adopted.

3. Late Items/Other: None.

Anthony C. Maiola, Chairman

Patricia T. Russell, Commissioner

/D. Hartford